



ACQUISITION,
TECHNOLOGY
AND LOGISTICS

DP/CPF

OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

MAY 30 2002

MEMORANDUM FOR DIRECTORS OF DEFENSE AGENCIES
DEPUTY ASSISTANT SECRETARY OF THE ARMY
(PROCUREMENT)
DEPUTY FOR ACQUISITION AND BUSINESS MANAGEMENT,
ASN(RD&A)/ABM
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE
(CONTRACTING), SAF/AQC
EXECUTIVE DIRECTOR, LOGISTICS POLICY & ACQUISITION
MANAGEMENT (DLA)

SUBJECT: Fast Payment Procedures

The fast payment procedure allows payment under limited conditions to a contractor prior to the Government's verification that supplies have been received and accepted. Subsection 13.402 of the Federal Acquisition Regulation (FAR) lists the conditions for use of the fast payment procedure. Among those conditions is a requirement that deliveries of supplies occur at locations where there is both a geographical separation and a lack of adequate communications facilities between Government receiving and disbursing activities that make it impractical to make timely payment based on evidence of Government acceptance. Another key requirement is that there be a system in place that ensures (1) documentation of evidence of contractor performance under fast payment purchases; (2) timely feedback to the contracting officer in case of contractor deficiencies; and (3) identification of suppliers that have a current history of abusing the fast payment procedure.

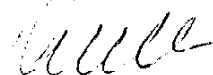
Based upon information supplied by the Defense Finance Accounting Service (DFAS), I am concerned that the fast payment procedure may have been included in contracts and orders without all the necessary conditions for its use being met. DFAS observed that the fast payment procedure is apparently being used where there is no geographical distance prohibiting the receiving activity from sending the paying office a timely receiving report. DFAS also indicated that it frequently does not receive a copy of receiving reports when those reports are required as a follow up to a fast payment.

We must ensure that the fast payment procedure is used only where appropriate. In today's e-business environment, use of fast payment procedures should be employed only when payment must be made inside the United States for deliveries made outside the United States. I therefore request you review the use of the fast



payment procedure at buying activities within your purview. Please ensure these buying activities have the necessary internal controls in place and are complying with all the requirements of FAR 13.402.

My staff POC for this subject is Mr. Richard Brown. He can be reached by email at Richard.G.Brown@osd.mil or by phone at 703-695-7197.



Deidre A. Lee
Director, Defense Procurement